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# Congress of the United States

## House of Representatives

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## STATEMENT OF CHAIRMAN STEPHEN F. LYNCH

### SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA HEARING ON

### **"The Price is Right, or Is It? An Examination of USPS Workshare Discounts and Products that Do Not Cover Their Costs"**

**Wednesday, May 12, 2010, 200 p.m.  
2154 Rayburn House Office Building**

Ladies and Gentlemen, as you are undoubtedly aware, the Postal Service continues to confront a dire financial situation. While the Postal Service has recently revealed some good news – that it is doing better than previously anticipated by some \$1.2 billion – the organization is still on track to lose approximately \$7 billion by the end of this year. And this will be on top of a cumulative loss of nearly \$12 billion over the previous three fiscal years. Much of the Postal Service's recent financial difficulties can be attributed to rise of electronic communications and the corresponding dramatic declines in mail volume, as well as the nationwide economic downturn, and in some ways, statutorily imposed prefunding of future retiree health benefit obligations. One of the most important tools that the Postal Service currently has to deal with its financial difficulties is its enhanced pricing flexibility, as provided by the Postal Accountability and Enhancement Act. However, utilization of this flexibility is not an easy matter, as the Postal Service and others have noted. In the given market environment, increasing rates must be justified, balanced and reasonable since such changes could further accelerate the pace of mail volume declines.

Recent reports and studies have identified several pricing areas that should be revisited and further explored as opportunities to generate more revenue. Today the Subcommittee convenes to discuss pricing issues relating workshare discounts and products that are currently considered not covering their costs. First, with respect to workshare discounts, the Postal Regulatory Commission's Fiscal Year 2009 Annual Compliance Determination found that 30 workshare discounts exceeded their avoided costs. According to the PRC, 17 of these discounts were justified, while the remaining 13 were not properly justified and should be realigned at the next general price adjustment. Toward that end, I look forward to hearing from today's witnesses on these particular discounts and other workshare related topics especially given that approximately 80% of all USPS' mail is now workshared. With such a large portion of mail being workshared, it is crucial that workshare discounts be priced to maximize revenue and efficiency of the entire postal industry, especially during such bleak financial times.

In addition to discussing aspects of worksharing and workshare discounts, today's hearing also touches on the subject of postal products deemed not to cover their costs. Highlighted by both the PRC's Annual Compliance Determination and the Government Accountability Office's April 12 report, the Postal Service lost, in the aggregate, \$1.7 billion in FY 2009 due to some 14 postal products not covering their costs. Although some of these products might be appropriately priced below cost for public policy reasons, many stakeholders have begun to call for more accurate pricing of these mailings, especially given the current financial status of the Postal Service. Toward that end, the Subcommittee looks forward to an informative discussion exploring the Postal Service's pricing policies, approaches to data collection and utilization as it relates to products that have been found to fall short in covering their costs.

Today's hearing will provide us with an opportunity to hear from the Postal Service, the Postal Regulatory Commission, mailers, effected unions, and well-respected economists and scholars on these vital topics. It is my hope that the testimony and feedback we receive from today's witnesses will provide the Subcommittee with information on the value of these important programs in a post-PAEA environment that incentivizes the Postal Service to make a profit and to alter its business model in order to meet current and future challenges.

Again, I thank each of you for being with us this afternoon, and I look forward to your participation.

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